

Message Text

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C O N F I D E N T I A L MOSCOW 7388

E.O. 11652: GDS

TAGS: ECON UR

SUBJECT: ARTILCE BY USA/CANADA INSTITUTE DIRECTOR ARBATOV ON APPLYING
US MANAGEMENT PRACTICES TO SOVIET INDUSTRIAL ENTREPRISES

REF: MOSCOW A-378 (10/1/74)

1. ARTICLE ENTITLED "PLANNING THE ORGANIZATION OF MAJOR PRODUCTION COMPLEXES AND THEIR MANAGEMENT," IN MAY PLANOVoyE KHOZYAYSTVO DESCRIBES APPLIED RESEARCH CARRIED OUT BY INSTITUTE OF THE USA AND CANADA INTO APPLICATION OF WESTERN (AND SPECIFICALLY US) MANAGEMENT TECHNIQUES TO SOVIET INDUSTRY. OF PARTICULAR INTEREST IN ARTICLE, AUTHORSHIP OF WHICH IS ATTRIBUTED TO USA/CANADA INSITUTE DIRECTOR G.A. ARBATOV, ARE CASE STUDIES OF TWO MAJOR SOVIET INDUS-TRIAL COMPLEXES (PRODUCTION ASSOCIATIONS) WHERE INSITUTE MANAGEMENT RECOMMENDATIONS ARE BEING IMPLEMENTED.

2. INSITUTE'S PROPOSALS, INCORPORATING CERTAIN US MANAGMENT PRACTICES, HAVE BEEN APPROVED BY HIGHER AUTHORITIES FOR INTRODUCTION AT KAMA TRUCK FACTORY (KAMAZ) AT
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NABEREZHNYYE CHELNY AND URALS ELECTRO-TECHNICAL INDUSTRY

GIANT URALLEKTROTYAZHMASH, LOCATED AT SVERDLOVSK.
SPECIFIC MANAGEMENT INNOVATIONS PROPOSED BY INSTITUTE FOR
THESE TWO PRODUCTION ASSOCIATIONS (AND, BY ANALOGY, FOR
SOVIET INDUSTRY IN GENERAL) INCLUDE:

- CREATION OF NEW POSITION OF FIRST DEPUTY GENERAL
DIRECTOR OF PRODUCTION ASSOCIATION TO DEAL WITH MATTERS
OF OPERATIONAL PRODUCTION MANAGEMENT. INCUMBENT WILL HAVE
DIRECT SUPERVISION OVER ALL PRODUCTION ELEMENTS WITHIN
ASSOCIATIONS, FREEING GENERAL DIRECTOR TO DEAL WITH LONG-
TERM, POLICY-ORIENTED QUESTIONS.

- ESTABLISHMENT OF R&D "SPECIAL SERVICE" AT KAMAZ
AND REORGANIZATION OF SCIENTIFIC-RESEARCH SECTIONS AT
URALLEKTROTYAZHMASH. ACCORDING TO ARTICLE, ACTUAL JOINING
OF R&D (ISSLEDOVANIYE I RAZVITIYE) TO PRODUCTION WILL BE
FIRST FOR SOVIET INDUSTRY.

- STRENGTHENING OF PROGRAM-ORIENTED (HORIZONTAL)
MANAGEMENT THROUGH ESTABLISHMENT OF COMMITTEES UNDER
ASSOCIATIONS' COUNCIL OF DIRECTORS TO OVERSEE AND SUPER-
VISE ALL PROGRAM QUESTIONS.

- INCREASING RESPONSIBILITIES OF PRODUCTION ASSOCIA-
TIONS VIS-A-VIS PURCHASERS OF THEIR EQUIPMENT THROUGH
CREATION OF SPECIAL "CUSTOMER RELATIONS" DIVISIONS.

- CREATION OF "COORDINATING COMMITTEES" TO ASSURE
INTER-FUNCTIONAL DEVELOPMENT THROUGHOUT ENTIRE PRODUCTION
ASSOCIATIONS OF AUTOMATED DATA AND INFORMATION RETRIEVAL
SYSTEMS.

- ESTABLISHMENT OF "SOCIOLOGICAL CENTERS" TO SERVE AS
FOCAL POINTS FOR COORDINATING WAGE, SOCIAL WELFARE, JOB
SAFETY, PENSION, AND OTHER LABOR-ORIENTED ACTIVITIES.

- ESTABLISHMENT OF MANAGEMENT SCHOOLS AS INTEGRAL
PART OF PRODUCTION ASSOCIATION.

3. ARTICLE NOTES THAT ECONOMIES TO BE ACHIEVED THROUGH
INTRODUCTION OF THESE MANAGEMENT REFORMS WILL BE CONSIDERABLE.
AT KAMAZ, FOR EXAMPLE, NUMBER OF MANAGERIAL PERSONNEL WILL
BE ROUGHLY EQUAL TO THAT OF ZIL, GAZ, AND VAZ PLANTS, WHILE
KAMAZ PRODUCTION WILL EXCEED BY 2.5 TO 3 TIMES THAT OF ANY
OF THEM. LABOR PRODUCTIVITY AT KAMAZ IS EXPECTED TO BE 2.5
TIMES GREATER THAN AVERAGE FOR USSR AUTOMOTIVE INDUSTRY AS
A WHOLE.

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4. TO EMBASSY'S KNOWLEDGE THIS ARTICLE IS FIRST PUBLIC
PRONOUNCEMENT OF INSTITUTE'S ROLE IN SOVIET DOMESTIC
ECONOMIC ACTIVITY. REFAIR REPORTED THAT INSTITUTE'S
PROFESSOR B.Z. MIL'NER HAD SUPERVISED PREPARATION OF STUDY
DEALING WITH APPLICATION OF US MANAGEMENT PRACTICES AT
KAMAZ, ALTHOUGH DETAILS WERE NOT KNOWN AT THAT TIME.
UTILIZATION OF ORGANIZATION SUCH AS USA/CANADA INSTITUTE

FOR STUDY OF FOREIGN TECHNIQUES WITH VIEW TO INTRODUCING THEM TO SOVIET PRACTICE IS MOST INTERESTING PHENOMENON. IT DOVETAILS WITH WELL-KNOWN SOVIET DISTASTE FOR ALLOWING WESTERN FIRMS RIGHT TO ACTUALLY PARTICIPATE IN MANAGING FACTORIES THEY SUPPLY TO USSR. IN SHORT, INSTITUTE APPROACH APPEARS TO REPRESENT COMPROMISE SOVIETS HAVE CHOSEN BETWEEN THEIR DETERMINATION TO KEEP DOMESTIC ECONOMIC ACTIVITY ISOLATED FROM FOREIGNERS AND THEIR POTENTIALLY HARMFUL PERSONAL INFLUENCES, AND PERCEIVED NEED TO ACQUIRE FOREIGN MANAGERIAL KNOW-HOW TO CORRECT USSR'S POORLY-RUN INDUSTRY. THIS QUESTION IS PARTICULARLY URGENT AS USSR MOVES TO CONSOLIDATE ITS INDUSTRY INTO LARGE "CORPORATIONS" (PRODUCTION ASSOCIATIONS) WHILE AT SAME TIME ACQUIRING COSTLY AND SOPHISTICATED WESTERN MACHINERY AND EQUIPMENT IN INCREASINGLY LARGE QUANTITIES.

5. EMBASSY DOUBTS ARTICLE WAS ACTUALLY WRITTEN BY ARBATOV, WHO HAS LITTLE EXPERTISE IN THIS AREA. MORE LIKELY, IT WAS PENNED BY MIL'NER HIMSELF, WHO IS INSTITUTE'S LEADING EXPERT ON WESTERN MANAGEMENT PRACTICES. BY USING ARBATOV'S NAME, IF THIS HYPOTHESIS IS CORRECT, ARTICLE WILL CARRY MORE WEIGHT THROUGHOUT SOVIET ECONOMIC BUREAUCRACY WHERE MANY OF IDEAS CONTAINED IN IT COULD EXPECT TO FIND GENERALLY LUKEWARM OR EVEN HOSTILE RECEPTION.

6. DETAILS FOLLOW BY AIRGRAM.
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